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INFO RUCNCIS/CIS COLLECTIVE 0789
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RUEHIT/AMCONSUL ISTANBUL 0100
RUCNDT/USMISSION USUN NEW YORK 2022
RUEHNO/USMISSION USNATO 2356
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
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SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EEB, ECA

TAGS: PREL ECON EINV KPAO KZ
SUBJECT: KAZAKHSTAN: WHAT THE PRIVATE SECTOR CAN ACCOMPLISH

ASTANA 00002231 001.2 OF 002

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (SBU) SUMMARY: Kazakhstan's Capital Partners develops luxury projects in Almaty, Astana, Moscow, and Istanbul, including for J.W. Marriott and its related Ritz-Carlton brand. In Almaty, Capital Partners is developing for Marriott near the new Financial District -- a complex of office and residential towers with a mall to be anchored by Saks Fifth Avenue. The chairman of Capital Partners said it operates, at least in Kazakhstan, in the gray area between the capitalist private sector and the government. Capital Partners is negotiating to establish a Yale University School of Management branch in Almaty, as well as a world-class teaching hospital to be managed by Johns Hopkins University Medical School -- an example of the private sector stepping into the traditional role of public diplomacy when U.S. government resources are no longer available.
END SUMMARY.

¶3. (SBU) Ambassador and Foreign Commercial Service Officer met in Almaty on November 6 with Founding Partner Burak Oymen and Chairman Serzhan Zhumashov of Capital Partners, Kazakhstan's premier property development company that operates in Kazakhstan, Moscow, and Istanbul. Capital Partners' General Director Alexandr Gushavin, who appears to be ethnic Russian, attended part of the meeting. The meeting took place in Capital Partners' corporate headquarters located in the still-under-construction Esentai Park project. The project is being developed in conjunction with J.W. Marriott Hotels and Resorts and will include a high-rise with Class A office space (already occupied by U.S. legal and accounting firms and investment companies) and a 175-room Marriott Hotel on the upper floors with a 26th-floor "sky lobby," several mid-rise world-class residential towers, and a large shopping mall where the anchor store will be Saks Fifth Avenue and include other luxury brands like Chanel and Louis Vuitton, and where there will also be a multiplex cinema and a luxury health club. Marco Fien, J.W. Marriott General Manager in Kazakhstan, emphasized that this is the first J.W. Marriott branded hotel outside the continental United States (the firm has two Marriott Renaissance hotels in Aktau and Atyrau already). The

residential apartments, suitable for Manhattan, will sell at New York prices.

¶4. (U) Capital Partners also developed the new Ritz-Carlton in Moscow, and plans Ritz-Carlton hotels and residences in Almaty and Astana. The Astana project, expected to begin construction in 2009 (if economic conditions permit), will be the tallest building in the city at about 50 stories, and will be located in the new government core.

¶5. (SBU) Oymen said Capital Partners is the largest foreign investor in the J.W. Marriott corporation. Capital Partners relies mostly on Skidmore, Owings, and Merrill LLP, New York, for design and engineering, employing a group of 80 architects in the New York headquarters. The transparent-glass-sheathed Esentai Park project is only one part of a very large multi-block area in north Almaty that Capital Partners is developing as Almaty's new Financial District. Zhumashov commented in passing that such a massive development is possible only "in the gray area where private investment and the government intersect."

¶6. (SBU) Capital Partners also developed the all-amenities British Haileybury School in Almaty, across the street from Esentai Park, which currently has about 300 students in grades 1-6 and expects to expand to 600 students through grade 12, providing international-class education primarily to the children of Kazakhstan's economic elite, as well as to children of foreign business people and diplomats. Oymen and Zhumashov had just come from meeting with two professors from the Yale University School of Management who are working to build and staff a Yale Business School affiliate in Almaty. Oymen said Capital Partners' future projects also include a world-class hospital for Almaty that Johns Hopkins Medical School is now considering, with the possibility of eventually including a Johns Hopkins Medical School teaching center there.

ASTANA 00002231 002.2 OF 002

¶7. (SBU) When he was asked how the current world financial crisis has impacted Capital Partners, Oymen replied with one word: "Dramatically!" However, he alleged, Capital Partners has the only projects in Kazakhstan still going full steam, whereas almost all others have come to a halt. (NOTE: A glance at the unfinished towers in Esentai Park didn't show much evidence of "full-steam" construction activity. END NOTE.) Oymen said Capital Partners is as well protected as possible at this time because of its corporate strategy of sectoral (residences, hotels, office buildings, factories) and geographic diversification, with an emphasis on ultra-high-end projects. He noted that the liquidity crisis hit Kazakhstani banks a year earlier than in the rest of the world. In 2007, Capital Partners began selling its assets to AIG and Deutsche Bank and by August 2007 had raised \$1.1 billion to pay back and restructure loans, even though they weren't yet due, at Kazakhstani banks to help stabilize the national banking sector. For that reason, among others, the president and government of Kazakhstan are said to consider Capital Partners a positive, and favored, corporate citizen. Zhumashov said Kairat Kelimbetov, former head of the presidential administration and new head of the Samruk-Kazyna National Welfare Fund, recently met with the Capital Partners' leadership to brainstorm about how to invest Samruk-Kazyna's financial resources.

¶8. (SBU) BIO NOTE: Oyman, who appears to be in his early 30s, is the son of Turkish diplomats. After spending five years at Temple University in the United States, he initially worked for the Turkish construction firm, Enca, in Moscow. He first arrived in Almaty in 2000 and has built the Capital Partners empire since then.

¶9. (SBU) COMMENT: While it's easy for poor diplomats to be dazzled by great wealth, and while we know the appearance of great wealth can be a carefully constructed and fragile image, Capital Partners and its two leaders seem impressive. Most impressive to us is their connection to major U.S. businesses, as well as their corporate citizenship that is drawing Yale and Johns Hopkins Universities to Kazakhstan. This is the kind of public diplomacy the United States no longer has the resources to accomplish. END COMMENT.

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